

## Appendix BE-2 REIMBURSEMENT PROGRAM MANAGEMENT

Reimbursement Program Monitors are appointed at each CAO for the purpose of overseeing reimbursement program planning and execution within the CAO. District Headquarter PSEs providing reimbursable support under reimbursable Interservice Support Agreements (ISSAs) or other reimbursement agreements must also establish appropriate plans and controls. District Reimbursement Program Managers and the DCMC Reimbursement Program Administrator oversee program execution at their respective levels.

CAO Reimbursement Program Monitors and applicable Headquarter staff personnel must be well aware of the existing and potential future reimbursable workload within their organizations as well as the process by which corresponding earnings are recorded into official accounting records. They must also track actual execution against the organization's reimbursement earning plan. Earnings within DCMC are recorded via three separate and distinct processes. Monitors and managers must be alert to each process and assure that all earnings are properly recorded:

1. Recording actual cost: This generally applies to expenditures known to be reimbursable when they are expended (e.g., reimbursable ISSA support, costs of organizations whose workload is 100% reimbursable, OCONUS FMS, etc.). The main caution in this case is to assure that the reimbursable expenditure has been identified, recorded into reimbursement budgetary accounts, and billed. Earnings in this category are normally reported by the CAO to the District Reimbursement Manager, providing all necessary backup to support billing. The manager coordinates the recording of earnings and billing with DFAS.
2. Ratio calculation methodology: This applies to CONUS Foreign Military Sales (FMS) reimbursement, for which amounts earned are determined by calculating the ratio of FMS to total contract disbursements and applying that ratio to the available hours of the workforce. Hours are converted to dollars by application of a standard hourly rate, recorded as earned, and billed. Contract disbursements are made by DFAS and there are many variables involved. Projection of FMS earnings, therefore, is a difficult task. The main caution in this case is to assure earnings are materializing as expected. The calculation of earnings in this category is performed by the District Reimbursement Manager, who then coordinates the recording and billing with DFAS.
3. Recording of direct hours expended: This applies to hours reported by individual employees via PLAS and the DCARRS (Defense Contract Administration Reimbursable Reporting System) as they perform reimbursable work. Reported hours are summarized and costed out at a

standard rate by the DCARRS on a monthly basis. The monthly report of earnings is received directly at DFAS, recorded into budgetary accounts, and billed to the respective customers. The main caution here is that *all* hours worked in support of a reimbursable customer are recorded. This is most critical because many employees in the workforce are involved, and the potential for inadvertent oversight is extremely high.

Reimbursement plans and execution are tracked in the following categories:

- FMS (DCMC, District, and OCONUS CAOs only)
- Earnings reported via DCARRS:
  - NASA
  - FEDCAS
  - FCAS
  - Other
- All Other (normally tracked by dollars)

Reimbursement earning plans should be established in planned monthly increments. Actual reported earnings should be compared to the plan at the end of each month. Earning shortfalls must be investigated immediately to determine whether earnings are actually materializing less than anticipated or whether there is a reporting lag or oversight. If it is determined that earnings have not been recorded, corrective action must be taken to record the earnings without delay. Similarly, earnings above the planned level must be investigated and confirmed, and corrected as necessary. The District Reimbursement Program Manager must be notified of the correction and when it will be reflected in appropriate records so District-level assessment can be adjusted accordingly. The District Manager will provide similar advice to the DCMC Program Administrator.

Plans must be updated if annual earnings project to materialize above or below plan levels. The District Program Manager, upon receipt of revised plans, will make such adjustments as can be made within the District's total authorization, or will request appropriate adjustment through the DCMC Program Administrator. Potentially, overearning in one CAO can offset underearning in another, and appropriate budget adjustments can be made within the District.

Similarly, overearning within one District may offset underearning in another; appropriate budget adjustments may be made within DCMC, passed down to Districts, and in turn passed down to the affected CAOs. If DCMC as a whole projects to overearn, an increase can be requested to the DCMC reimbursable authority; if granted, this could free up direct funding to cover existing unfunded requirements. If DCMC as a whole is *underearning*, it will have the same effect as a budget reduction; appropriate steps must be taken to avoid an overexpenditure situation by year end. The bottom line is: *any* variation from planned earnings *must* be reported immediately so budget impact can be assessed and appropriate corrective action taken.